REMARKS

In the last office action, claims 1 through 48 were rejected. Claims 30 - 38 were rejected under 35 U.S.C. 102(b) as being anticipated by Applicant's disclosed Offer for Sale of the claimed invention. Then claims 1 - 29 and 39 - 48 were rejected under 35 U.S.C. 103(a) on the grounds of the Applicant's disclosed Offer for Sale considered as prior art in review of Den Oude. Reconsideration is requested.

With regard to the "on sale bar" this is discussed in the Manual of Patent Examining Procedure, § 2133.03 (b) "On Sale". For the convenience of the Examiner, the pertinent language is discussed below. Page 1, first paragraph:

> "An impermissible sale has occurred if there was a definite sale, or offer to sell, more than 1 year before the effective filing date of the U.S. application and the subject matter of the sale, or offer to sell, fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art. Ferag AG v. Quipp, Inc., 45 F. 3d 1562, 1565, 33 USPQ2d 1512, 1514 (Fed. Cir. 1995). The on-sale bar of 35 U.S.C. 102(b) is triggered if the invention is both (1) the subject of a commercial offer for sale not primarily for experimental

purposes and (2) **ready** for **patenting**, Pfaff v. Wells Elecs., Inc., 525 U.S. 55, 67, 48 USPQ2d 1641, 1646-47 (1998).

Reference is now made to the attached Declaration of one of the co-inventors, Mr. Bruce McDugle. This attached Declaration was executed on September 6, 2006, by Mr. McDugle, and there is also attached an earlier Declaration of Mr. McDugle signed on August 23, 2004.

In page of 3 of the attached latest McDugle Declaration of this September 6, 2006, Mr. McDugle made it very clear that if he had not entered into an arrangement such as with Mr. Murch, he would not have tried to engage in a commercial sale of this thruster what has yet to be designed and manufactured.

Mr. McDugle also points out that he did not solicit a sale from Mr. Murch. Mr. Murch came to him and Mr. McDugle told Mr. Murch that he had had different ideas about how the thruster could be made to be compatible with boats with shallow draft, but he regarded these ideas as experimental and made that very clear to Mr. Murch.

Further, on pages 4 and 5, Mr. McDugle points out that he was also sticking his neck out financially in that he was obligated to do further design

work if needed without receiving any compensation except for Mr. Murch paying for the out-of-pockets.

Then on page 5 of the later McDugle Declaration, Mr. McDugle was also asked to clarify to the undersigned the question of whether he regarded the arrangement with Mr. Murch as an experimental arrangement or more commercial. Again, Mr. McDugle made it quite clear that "without a doubt my answer is that substantially my entire motivation was for the purpose of experimental and I believe this is very clear from my Declaration."

Now referring back to the § 2133.03(b), it is stated that the on sale is triggered if the invention is "both (1) the subject of a commercial offer for sale not primarily for experimental purposes and (2) **ready** for **patenting**". Please note that that is in the conjunctive so that both of those elements are required to make this an offer for sale. Even if the arrangement with Mr. Murch was not considered to be experimental, it is clear from how Mr. McDugle regarded that design, that he would not consider it "ready for patenting".

See also *Micro Chemical, Inc. v. Great Plains Chemical Co., 103 F.3d 1538, 1545, 41 USPQ2d 1238, 1243 (Fed. Cir. 1997)* (The on-sale bar was not triggered by an offer to sell because the inventor "*was not close to*

completion of the invention at the time of the alleged offer and had not demonstrated a high likelihood that the invention would work for its intended purpose upon completion.")

In looking at the two Declarations of Mr. McDugle, when Mr. McDugle had his first meeting with Mr. Murch, there were at least two proposed designs which Mr. McDugle showed Mr. Murch. Up until that time Mr. McDugle had had no opportunity to do any analysis of any of these designs, nor build models so that he could see if any of either these designs (or any other designs he had in mind for that matter) were workable. Further, it is clear from his Declarations that Mr. McDugle was very open to the fact that he had no idea of the probability of whether this design of this shroud would work. This certainly cannot meet the criteria expressed in Micro Chemical Inc. v. Great Planes Chemical Co..

It has to be kept in mind that the goal which Mr. McDugle had was to build a thruster which could be used as a thruster on a boat that had shallow draft (i.e., the distance between the lower part of the boat and the waterline). If the thruster is too close to the waterline, then it loses much of its power because it sucks in air in addition to the water. On the other hand, if it is too low, then it causes drag when the boat is cruising. Mr. McDugle had a rather broad concept as to how he might be able to channel

the water from an intake which is not so low as to be projecting into the water when the boat is cruising, but yet is in a position where it could inhibit the ingestion of air into the water stream that flows into the thruster. He would have to experiment to find if he had a proper design. As Mr. McDugle states in his Declaration, it was not until they had completed their fourth prototype that he felt that he had a commercial product.

For these reasons, it becomes rather clear that Mr. McDugle certainly did not meet the criteria that he had "... demonstrated a high likelihood that the invention would work for its intended purpose upon completion." Further, that is evidenced because in the original design that Mr. Murch took in a somewhat uncompleted form, he had not demonstrated that the invention would work for its intended purpose upon completion.

Now let us turn our attention to the newly submitted claims 49 through 64. Claim 49 has substantially the same recitations as in the other parent claims, except that in paragraph d) of claim 49 it recites that each extension member has a perimeter flange connected to, and positioned around at least a substantial portion of a lower perimeter edge portion of the extension member, with the perimeter flange positioned with a substantial horizontal alignment component from the lower perimeter edge portion to extend into the surrounding water.

This relates to the perimeter flange 86. This is also discussed in page 13 of Mr. McDugle's earlier Declaration. Mr. McDugle points out that with that perimeter flange it made an improvement in the flow pattern of the water so that there was less pressure loss and less turbulence in the water entering the passageways defined by the extensions. He also points out that by observing the water flow the laterally extending perimeter flange would split the water flow in a manner so that the water above the flange would flow more easily over the extensions and the water below the flange would flow more evenly into the partial passage provided by the extensions.

Then at the bottom part of page 13, Mr. McDugle indicates that he is reasonably confident in saying that he increased the effect of thrust as a minimum by 50% and quite possibly as much as 100% over the first prototype. Although he does not have precise measurements of this, this is based upon his observations of the ability to move the boat sideways, which would of course have a proportional relationship to the thrust provided by the thrust assembly.

The conception date and actual reduction to practice of the thruster with the perimeter flange was well after February, 2003, so that even if the arrangement with Mr. Murch were considered to be an offer for sale, the

offer of sale could not have included this particular development, since it had not yet even been conceived.

With regard to U.S. 5,704,306 (Den Ouden), this was cited because it teaches the positioning of a thruster so that it is clear of the water when the boat is operating at high speed. That, of course, is evident and well known in the industry. Also, in the text of the present patent application, on page 3, line 8, in the section on Background Art, it is pointed out that a tunnel thruster needs to be positioned far enough below the water surface to prevent air being sucked into the tunnel passageway. It also points out in the next few lines that it is generally recommended that the thruster be positioned in the water at least one tunnel diameter beneath the water line.

Then in column 3 of the Den Ouden patent, in line 37, it states that the tunnel tube lies at least one-half tunnel tube diameter above the bottom 11 of the boat and at least one full tunnel diameter below the water line. As indicated above, this is well known in the prior art.

However, the challenge in the present invention is that if the boat has a very shallow draft, if these tolerances are adhered to, then there is such as a small vertical dimension so that there is no room left for placing the thruster. Thus, the benefit of the present invention is that it is able to actually have the tunnel portion of the thruster at a higher elevation closer

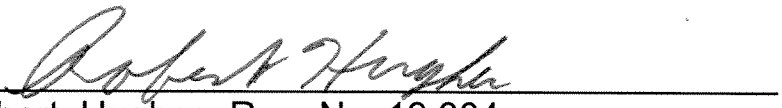
to the water level and yet be able to function in a manner that the ingesting of air is either substantially eliminated or alleviated.

Also, it should be pointed out that this Den Ouden patent actually teaches away from the present invention in that it proposes a quite different device at the two end portions of the tunnel of the thruster. This is described in column 3, beginning on line 37 and continuing on through the upper part of column 4. This device is a flange 25 which extends transversely to the longitudinal direction of the tube 5 and has a flared shape at the ends of the tunnel tube. It is stated that this increases the efficiency of the thruster and also increases the propelling force by forty to fifty percent.

It is respectively submitted that the claims of the application should be made allowable. However, if there are any matters which need clarification, or if there are any of these matters which the Examiner feels could be expedited by a telephone conference with the undersigned, such would be welcome. The Applicant's attorney can normally be reached at the telephone number set forth below.

Signed at Bellingham, County of Whatcom, State of Washington this September 11, 2006.

Respectfully submitted,
GRAEME W. WILSON,

By 

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